DEPARTMENT OF STATE A/CDC/HR
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File 1854346 R

TO: The Honorable
John B. Hollister, Director,
International Cooperation Administration.

SUBJECT: FY 1957 Development Assistance - Libya

I have reviewed the problem referred to in your memorandum of March 21 with regard to releasing $7 million of FY 1957 Development Assistance funds to the Libyan American Reconstruction Commission (LARC). I have also reviewed the memorandum of June 18, 1956 from Mr. Hoover to you and agree with its reasoning. I am convinced that a refusal to continue the present procedure would be interpreted by the Libyan Government as lack of confidence in LARC and thereby prejudice effective cooperation in that body. This could have far-reaching effects on our relations with Libya and result in a diminution of the influence we now have on the expenditure of Air Force funds channeled through that body.

The exception made in the case of Libya in 1956 appears to have proven eminently sound from a political standpoint. Libya has become increasingly pro U. S. and pro Western while her relations with the Soviet Union and Egypt have deteriorated. Recent reports from Ambassador Tappin and Ambassador Richards bear this out. Libya continues to be strategically and politically important to the U. S. I fear that a change in the procedure adopted last year would upset our present excellent relations and would be harmful to our interests.

I agree with you, however, that it would be unwise to agree to a lump-sum deposit of this amount of funds without full and complete agreement with the Libyan Government as to the specific purposes for which the dollars would be used.

Accordingly, I urge that the procedure used in the release of 1956 funds to LARC be continued during 1957.

CHRISTIAN A. HERTER

Under Secretary

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